# Claremont Capital Managed Portfolio Disclosure Document

Managed Portfolio Disclosure Document issuer:

Diversa Trustees Limited (Trustee) ABN 49 006 421638, AFSL 235153, RSE Licence No L0000635, in its capacity as Trustee of Mason Stevens Super (Fund), an APRA-regulated fund ABN 34 422 545 198

Date Issued: April 2024

## Contents



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Mason Stevens Asset Management Pty Ltd ABN 92 141 447 654 (MSAM) as the investment manager of the Fund has appointed Claremont Capital Investments Pty Ltd ABN 64 667 656 804 (CCI), a Corporate Authorised Representative (CAR 1303429) of Professional Investment Solutions Pty. Ltd. ABN 30 131 550 742 AFSL 487325 (ProInvest) as Investment Sub-Adviser on the Managed Portfolios outlined in this Investment Mandate.

## Important Information

This document contains important information about the ProInvest Managed Portfolios and is incorporated by reference into the Mason Stevens Super Product Disclosure Statement (**PDS**). It should be read in conjunction with the Mason Stevens Super Additional Information Guide. These documents are available from your financial adviser or masonstevens.com.au/super

As at the date of issue the information contained in this document and the PDS is correct under superannuation laws and regulations which may change from time to time. In the event of a material change to information in this document or the PDS the Trustee will notify existing members either via the website or in writing within the time frames required by law. Updated information is available online at masonstevens.com.au/super

The information contained in this document and the associated PDS is general information only and has been prepared without taking into consideration your investment objectives, circumstances, or your personal financial situation or needs. This document is not intended to be and should not be construed in any way as investment, legal, taxation or financial advice. Before acting on the information in this document you should consider seeking financial advice tailored to your own objectives, circumstances, financial situation and needs.

The Trustee may change the terms and conditions of the Fund as permitted under the Trust Deed. The Trustee may also add, change or close any investment choice or insurance option and this may include making changes to asset allocations, benchmarks and investment strategies without prior notice to you.

The Trustee is required to disclose certain Trustee and Fund information and documentation on its website (diversa.com.au/trustee), including but not limited to the trust deed, the PDS, the most recent annual report and the names of each material outsourced service provider to the Fund.

All investment involves risk, potentially resulting in (but not limited to) delays in payment of withdrawal proceeds and the loss of income and capital invested. Past performance is not necessarily indicative of future performance. An investment in the Fund is neither a deposit nor liability of Mason Stevens Group of companies, Mason Stevens or the Trustee or any of their associated entities. Fund members and their financial advisers can access account and investment information, as well as make transactions through Mason Stevens' secure online portal. Mason Stevens Asset Management (MSAM) is the investment manager of the Fund. Mason Stevens Limited ABN 91 141 447 207 AFSL 351578 is the Sponsor and Promoter of the Fund, and also the custodian of all Fund assets and has appointed Citibank N.A. New York and Citigroup Pty Limited as primary sub-custodian. FNZ Australia Limited ABN 67 138 819 119 (Administrator) is the administrator of the Fund.

# Portfolio Parameters

## CCI BALANCED ACCUMULATION PORTFOLIO

| Feature | Description | |
|---|---|---|
| **Portfolio Name** | CCI Balanced Accumulation Portfolio | |
| **Investment Sub-Advisor** | Claremont Capital Investments Pty Ltd | |
| **Inception Date** | July 2023 | |
| **Holding limit** | Up to 100% of your portfolio (members are required to maintain their minimum cash balance as stated in the Mason Stevens Super Additional Information Guide). | |
| **Investment objective** | Outperformance of the benchmark over a 3yr period | |
| **Investment Strategy and Approach** | The process employs a blend of top-down economic research, bottom-up fund selection, and ongoing risk management. | |
| **Benchmark Return** | Morningstar Australia Balanced Target Allocation NR AUD Index | |
| **Minimum number of securities** | 7 | |
| **Maximum number of securities** | 40 | |
| **Asset allocation** | **Allocation range** | **Target Weight** |
| Australian Equities | 15% - 35% | 22% |
| International Equities | 13% - 55% | 22% |
| Australian Fixed Income | 5% - 30% | 25% |
| International Fixed Income | 5% - 30% | 16% |
| Alternatives | 0% - 15% | 2% |
| Property | 0% - 20% | 4% |
| Infrastructure | 0% - 15% | 6% |
| Cash (minimum 2% cash) | 2% - 25% | 3% |
| **Investment universe** | Managed funds, ETFs, LICs, LITs and cash. | |
| **Maximum single security or fund weighting** | 25% | |
| **Minimum suggested timeframe** | 5 years+ | |
| **Minimum initial investment $** | $10,000 | |
| **Minimum additional investment $** | $5,000 | |
| **Minimum withdrawal** | $5,000 | |
| **Rebalance frequency** | Sub-adviser discretion | |
| **Investment manager fee[1]** | 0.30% | |
| **Indirect Cost Ratio** | 0.50% | |
| **Performance fee** | N/A | |
| **SRM** | 5 | |

1. Of the total investment manager fee, up to 0.025% pa of the fee will be retained by the MDA Provider for services related to the investment management activities on each of the portfolios.

## CCI GROWTH ACCUMULATION PORTFOLIO

| Feature | Description | |
|---|---|---|
| **Portfolio Name** | CCI Growth Accumulation Portfolio | |
| **Investment Sub-Advisor** | Claremont Capital Investments Pty Ltd | |
| **Inception Date** | July 2023 | |
| **Holding limit** | Up to 100% of your portfolio (members are required to maintain their minimum cash balance as stated in the Mason Stevens Super Additional Information Guide). | |
| **Investment objective** | Outperformance of the benchmark over a 3yr period | |
| **Investment Strategy and Approach** | The process employs a blend of top-down economic research, bottom-up fund selection, and ongoing risk management. | |
| **Benchmark Return** | Morningstar Australia Growth Target Allocation NR AUD Index | |
| **Minimum number of securities** | 7 | |
| **Maximum number of securities** | 40 | |
| **Asset allocation** | **Allocation range** | **Target Weight** |
| Australian Equities | 20% - 45% | 35% |
| International Equities | 15% - 65% | 27% |
| Australian Fixed Income | 0% - 25% | 20% |
| International Fixed Income | 0% - 25% | 0% |
| Alternatives | 0% - 20% | 3% |
| Property | 0% - 30% | 4% |
| Infrastructure | 0% - 20% | 8% |
| Cash (minimum 2% cash) | 2% - 20% | 3% |
| **Investment universe** | Managed funds, ETFs, LICs, LITs and cash. | |
| **Maximum single security or fund weighting** | 25% | |
| **Minimum suggested timeframe** | 7 years+ | |
| **Minimum initial investment $** | $10,000 | |
| **Minimum additional investment $** | $5,000 | |
| **Minimum withdrawal** | $5,000 | |
| **Rebalance frequency** | Sub-adviser discretion | |
| **Investment manager fee[1]** | 0.30% | |
| **Indirect Cost Ratio** | 0.63% | |
| **Performance fee** | N/A | |
| **SRM** | 6 | |

1. Of the total investment manager fee, up to 0.025% pa of the fee will be retained by the MDA Provider for services related to the investment management activities on each of the portfolios.

## CCI MODERATE PENSION PORTFOLIO

| Feature | Description | |
|---|---|---|
| **Portfolio Name** | CCI Moderate Pension Portfolio | |
| **Investment Sub-Advisor** | Claremont Capital Investments Pty Ltd | |
| **Inception Date** | July 2023 | |
| **Holding limit** | Up to 100% of your portfolio (members are required to maintain their minimum cash balance as stated in the Mason Stevens Super Additional Information Guide). | |
| **Investment objective** | Outperformance of the benchmark over a 3yr period | |
| **Investment Strategy and Approach** | The process employs a blend of top-down economic research, bottom-up fund selection, and ongoing risk management. | |
| **Benchmark Return** | Morningstar Australia Moderate Target Allocation NR AUD Index | |
| **Minimum number of securities** | 7 | |
| **Maximum number of securities** | 40 | |
| **Asset allocation** | **Allocation range** | **Target Weight** |
| Australian Equities | 5% - 25% | 18% |
| International Equities | 0% - 40% | 7% |
| Australian Fixed Income | 15% - 40% | 30% |
| International Fixed Income | 15% - 40% | 30% |
| Alternatives | 0% - 15% | 0% |
| Property | 0% - 20% | 6% |
| Infrastructure | 0% - 15% | 4% |
| Cash (minimum 2% cash) | 2% - 35% | 5% |
| **Investment universe** | Managed funds, ETFs, LICs, LITs and cash. | |
| **Maximum single security or fund weighting** | 25% | |
| **Minimum suggested timeframe** | 4 years+ | |
| **Minimum initial investment $** | $10,000 | |
| **Minimum additional investment $** | $5,000 | |
| **Minimum withdrawal** | $5,000 | |
| **Rebalance frequency** | Sub-adviser discretion | |
| **Investment manager fee[1]** | 0.30% | |
| **Indirect Cost Ratio** | 0.63% | |
| **Performance fee** | N/A | |
| **SRM** | 4 | |

1. Of the total investment manager fee, up to 0.025% pa of the fee will be retained by the MDA Provider for services related to the investment management activities on each of the portfolios.

## CCI BALANCED PENSION PORTFOLIO

| Feature | Description | |
|---|---|---|
| **Portfolio Name** | CCI Balanced Pension Portfolio | |
| **Investment Sub-Advisor** | Claremont Capital Investments Pty Ltd | |
| **Inception Date** | July 2023 | |
| **Holding limit** | Up to 100% of your portfolio (members are required to maintain their minimum cash balance as stated in the Mason Stevens Super Additional Information Guide). | |
| **Investment objective** | Outperformance of the benchmark over a 3yr period | |
| **Investment Strategy and Approach** | The process employs a blend of top-down economic research, bottom-up fund selection, and ongoing risk management. | |
| **Benchmark Return** | Morningstar Australia Balanced Target Allocation NR AUD Index | |
| **Minimum number of securities** | 7 | |
| **Maximum number of securities** | 40 | |
| **Asset allocation** | **Allocation range** | **Target Weight** |
| Australian Equities | 15% - 35% | 22% |
| International Equities | 13% - 55% | 22% |
| Australian Fixed Income | 5% - 30% | 25% |
| International Fixed Income | 5% - 30% | 16% |
| Alternatives | 0% - 15% | 2% |
| Property | 0% - 20% | 4% |
| Infrastructure | 0% - 15% | 6% |
| Cash (minimum 2% cash) | 2% - 25% | 3% |
| **Investment universe** | Managed funds, ETFs, LICs, LITs and cash. | |
| **Maximum single security or fund weighting** | 25% | |
| **Minimum suggested timeframe** | 5 years+ | |
| **Minimum initial investment $** | $10,000 | |
| **Minimum additional investment $** | $5,000 | |
| **Minimum withdrawal** | $5,000 | |
| **Rebalance frequency** | Sub-adviser discretion | |
| **Investment manager fee[1]** | 0.30% | |
| **Indirect Cost Ratio** | 0.63% | |
| **Performance fee** | N/A | |
| **SRM** | 5 | |

1. Of the total investment manager fee, up to 0.025% pa of the fee will be retained by the MDA Provider for services related to the investment management activities on each of the portfolios.

## CCI GROWTH PENSION PORTFOLIO

| Feature | Description | |
|---|---|---|
| **Portfolio Name** | CCI Growth Pension Portfolio | |
| **Investment Sub-Advisor** | Claremont Capital Investments Pty Ltd | |
| **Inception Date** | July 2023 | |
| **Holding limit** | Up to 100% of your portfolio (members are required to maintain their minimum cash balance as stated in the Mason Stevens Super Additional Information Guide). | |
| **Investment objective** | Outperformance of the benchmark over a 3yr period | |
| **Investment Strategy and Approach** | The process employs a blend of top-down economic research, bottom-up fund selection, and ongoing risk management. | |
| **Benchmark Return** | Morningstar Australia Growth Target Allocation NR AUD Index | |
| **Minimum number of securities** | 7 | |
| **Maximum number of securities** | 40 | |
| **Asset allocation** | **Allocation range** | **Target Weight** |
| Australian Equities | 20% - 45% | 35% |
| International Equities | 15% - 65% | 27% |
| Australian Fixed Income | 0% - 25% | 20% |
| International Fixed Income | 0% - 25% | 0% |
| Alternatives | 0% - 20% | 3% |
| Property | 0% - 30% | 4% |
| Infrastructure | 0% - 20% | 8% |
| Cash (minimum 2% cash) | 2% - 25% | 3% |
| **Investment universe** | Managed funds, ETFs, LICs, LITs and cash. | |
| **Maximum single security or fund weighting** | 25% | |
| **Minimum suggested timeframe** | 7 years+ | |
| **Minimum initial investment $** | $10,000 | |
| **Minimum additional investment $** | $5,000 | |
| **Minimum withdrawal** | $5,000 | |
| **Rebalance frequency** | Sub-adviser discretion | |
| **Investment manager fee**[1] | 0.30% | |
| **Indirect Cost Ratio** | 0.63% | |
| **Performance fee** | N/A | |
| **SRM** | 6 | |

1. Of the total investment manager fee, up to 0.025% pa of the fee will be retained by the MDA Provider for services related to the investment management activities on each of the portfolios.

# About the relevant parties

## About ProInvest

Professional Investment Solutions Pty Ltd (ProInvest) is a privately owned financial planning and finance brokerage that provides you with comprehensive, fully integrated solutions and services crafted to guide you in reaching your financial goals. At ProInvest we pride ourselves on finding tailored strategies for you based on your specific needs and objectives while making sure your experience is effortless and easy to understand.

ProInvest is the licensee for Claremont Capital Investments who is a related entity.

## About Claremont Capital Investments

Claremont Capital Investments (CCI) specialises in managing portfolios with the objective to generate superior long-term returns.

## Investment Philosophy

Portfolios will tend have a bias towards capital growth, income generation or a balanced objective, depending on the needs of the client, and the willingness or ability to assume risk.

The CCI investment philosophy is founded on the following core beliefs:

- Investment risk and return are related. Investors receive a premium for assuming a degree of capital risk. The higher the risk, the higher the premium should be. Higher long-term returns can be generated from securities and assets that are likely to exhibit greater short-term volatility in price or value.
- While not totally eliminated, risk can be substantially reduced by holding assets within a well-diversified portfolio.
- Appropriate asset allocation is an essential step in building well-structured portfolios. Asset allocation determines the largest proportion of investment risk and also heavily influences long-term returns.
- The primary asset allocation exercise lies in defining the strategic allocations appropriate for the long-term objectives of the portfolio.
- Dynamic or tactical asset allocation is a secondary consideration and can be effectively used to increase risk-adjusted long-term returns by adjusting strategic allocations either to increase return or reduce risk. Consistent additional returns are difficult to achieve through dynamic adjustments due to the uncertain nature of markets, particularly in the short-term. Therefore, dynamic adjustments should be made conservatively and with restraint.
- Risk-adjusted can be further improved by diligent manager selection. When selecting funds and ETFs, analysts should seek to identify products run by teams with the appropriate level of skill, resources and financial support. The managers should have a coherent investment philosophy and a rigorous, robust and a repeatable investment process that is capable of meeting the objectives. Structures, fees, and tax arrangements should be appropriate to the strategy.
- Leverage should only be used with caution, on rare occasions, and limited to internally-geared products.
- Investment is not trading. Transaction costs and taxes paid from excessive portfolio turnover represent an outflow that cannot be recovered. However, there is a trade-off between minimising transaction costs and appropriate re-balancing which can maintain the target risk allocation and can even enhance returns.

## Investment Process

**a) Strategic Asset Allocation**

As a starting point for the SAA process, CCI will conduct a review of the expected return over a 10 year horizon for each asset class. CCI will used a broad based benchmark as a proxy to forecast these returns.

The analysis focuses on areas that are likely to affect long-term trends in real economic growth and inflation, such as demographics, labour market trends, taxation and fiscal projections, and the starting point in the economic cycle.

Growth asset assumptions are heavily influenced by the impact of mean-reversion in earnings multiples, averaged over the ten-year horizon, dividend yields, the level of imputation credits distributed, and the assumed level of earnings growth. Long-run earnings growth is based on real GDP estimates of the OECD and IMF, market measures of inflation, and likely changes in profit margins.

Bank bill estimates are based on the current cash rate and the assumed easing or tightening bias required to meet the RBA's 2%-3% target over the forecast period, with regard to market measures of inflation. Bond yields are estimated based on the cash rate, the slope of the yield curve and assumptions for the contribution of roll yield and credit spreads based on current levels and historical averages.

A hedging yield assumption, where appropriate, is based on the long-run interest differential between the Australian dollar and a weighted global average. Unhedged foreign exchange movements are based on mean-reversion to long-run purchasing power parity estimates published by the IMF and OECD.

The final strategic allocations are determined through a mean-variance optimisation process that seeks to maximise the Sharpe ratio for each profile within specified constraints.

The constraints are designed to space the expected portfolio risk across the risk spectrum, primarily by constraining the growth / defensive split. However, additional asset class constraints have been introduced to account for minimum cash balances above 2% and tilt the income or capital gains distribution towards portfolio objectives. For example, the Growth SAA allows for relatively high alternatives weights to offset higher growth volatility. At the same time, the Balanced Income and Income allocations will tend to have relatively high allocations to Property and Infrastructure within growth assets in order to boost income distributions. As a result of the cumulative constraints, the growth / defensive split is likely to remain within a few percentage points of the 2022 allocations.

The principal difference between the Pension and Accumulation strategic allocations is that the Pension allocations have a higher minimum cash allocation of 5% to satisfy withdrawals, compared to 3% for the Accumulation models. In addition, the cash balance can be higher in the Pension models in both the strategic allocations and permitted dynamic ranges.

**b) Dynamic Asset Allocation**

A dynamic overlay will be applied over the portfolios which is intended to react to significant events in the market. The purpose of the overlay is to not to aggressively tilt the portfolio to capitalise on short term volatility arising from significant events in the market. Rather it is to help reduce exposure to assets that have a high probability of underperformance and implement a series of small bets across asset classes, currency, factors, styles and sectors.

The DAA process will focus on the following areas:

» Cross-asset allocation looking at valuation of growth asset class indices compared to bonds and historical averages, the strength of trend performance and momentum measures.
» Top down factor-timing framework focused on real yields and inflation expectations in Australia and other major currencies
» Earning trends across factors, regions and sectors
» Model-based FX valuation and positioning data aimed at capturing mean reversion
» Measure of global risk aversion across equity, fixed income, FX and interbank markets
» Any relevant technical patterns, particularly in difficult to value assets that have liquid cash and derivative markets, ie equity indices, currencies, commodities

**c) Stock selection**

The stock selection combines both top down and bottom up factors. The process begins with top down analysis conducted to identify long-term trends and themes that will likely drive long-term earnings growth.

Once this has been established CCI will look to use sell-side research to identify particular companies that fit into these trends and themes. This step will be supported by bottom up analysis which is done to screen major global indices to identify stocks that show strong quality and momentum factors. The two inputs combined will reduce the investment universe to a manageable number.

The final stocks selected are done based on expected return profile and compatibility with portfolio objectives form an income and growth perspective. Position sizes are determined by the portfolio risk model to avoid undesirable concentration in holdings.

**d) Fund Selection**

CCI will leverage Harbour Reach's "Preferred List" of approximately 100 managed funds and ETFs. Harbour Reach utilise a quantitative process to filter down the managed fund and ETF universe to the final "Preferred List".

The factors which the quantitative process focuses on are:

» Statistically significant outperformance over a 5 year period versus peers and relevant sector benchmark
» Cluster analysis and factor regressions to identify true factor exposures – passive and smart beta ETFs will be used to reduce cost where appropriate, particularly in areas where managers do not outperform with a reasonable degree of consistency
» Research house ratings
» Sustainability scores

Additionally, Harbour Reach will not add a managed fund to the "Preferred List" without first conducting at least one meeting with the manager.

Managed funds and ETFs on the "Preferred List" will be assigned a rating of either "Preferred" for best in class products, "Alternate" for next best substitute, "Specialist" to achieve particular exposures, "Watch" when issues arise, or "Redeem" for when problems are more serious.

**e) Portfolio construction**

The SAA is used as the framework for portfolio construction, adjusted for the desired DAA tilts. Stock selection forms the core of the portfolio, which may influence final DAA allocation. Managed funds are selected, usually from the Harbour Reach "Preferred List". However, there will likely be additional considerations in fund selection that may require particular products to be preferred over others.

Once determined, the risk model output is produced and weights are determined based on contributions to risk. The risk model output systematically provides:

» Expected volatility of the model
» •5% and 99% VaR estimates
» The beta and tracking error relative to the SAA composite index
» A stress and scenario skyline comparing the portfolio and SAA
» The asset class betas of each holding
» The contribution to total portfolio volatility

## How the investment manager manages risk

The investment manager is unable to eliminate all investment risk, but does analyse, manage and aim to reduce the impact of risks by actively monitoring investment markets and portfolios and through the use of carefully considered investment guidelines.

## Labour standards and environmental, social and ethical considerations

The Trustee does not take into account labour standards, environmental, social or ethical considerations when making the investments available. The approach in relation to any consideration of labour, environmental, social or ethical standards as part of the investment decision making process for the portfolio is left by the Trustee to the individual discretion of the investment manager. This investment strategy does not directly measure or incorporate labour, environmental, social or ethical standards as part of the investment decision-making process.

The investment manager is aware that these issues can influence social, business and investor outcomes. In certain circumstances they may consider these issues when making an investment decision. The investment manager's consideration of labour, environmental, social or ethical considerations are in its own right and not on behalf of the Trustee.

## Execution of strategy

Mason Stevens Limited and its associated entities have been appointed by the Trustee to provide various services in relation to the Fund, including promoter, investment management and custody services. Mason Stevens and the Administrator are responsible for implementing the investment instructions of the investment manager by buying and selling assets, taking into consideration timing, trading costs (such as transaction fees and currency costs, if applicable) and the mandate of the portfolio. In certain circumstances Mason Stevens has the right to vary the Investment Option. By investing in this Investment Option, you instruct Mason Stevens and the Administrator to buy and sell assets on your behalf through the Investment Option as advised by the investment manager.

## Risks

Before you consider investing in this portfolio, it's important you understand the risks that can affect your investments. A summary of key risks is in the PDS.

See the 'Risks' section in the PDS. Please note this is not an exhaustive list of all the risks. The risks relevant to this portfolio reflect the underlying investments. For information about risks regarding your personal situation, please speak to your adviser.

## Trade notifications

When the investment manager trades, or rebalances the portfolios, Mason Stevens (through the Service) may send you an advice notifying you of the trades being undertaken. This is called a trade notification. The rebalance and reallocation of Investment Options may occur regularly and you may receive a trade notification each time a rebalance or reallocation occurs.